

**BEFORE THE INSURANCE COMMISSIONER  
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF  
THE REPORT OF EXAMINATION OF  
FARMERS UNION MUTUAL  
INSURANCE COMPANY**

**AID NO. 2006- 042**

**ADOPTION ORDER**

Now on this day the matter of the Report of Examination ("Report" or "Report of Examination") as of December 31, 2005 of Farmers Union Mutual Insurance Company ("FMAA" or "Company"), a domestic Arkansas farmers' mutual aid company of Bryant, Arkansas, NAIC #37613, is taken under consideration by Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"), as presented by the Chief Counsel, Ms. Jean Langford, and the Finance Division of the Arkansas Insurance Department ("Department"). The full name of the Company on its Arkansas articles of association or incorporation is "Farmers Union Mutual Insurance Company, Insurance Department of the Farmers' Educational and Cooperative Union of America, Arkansas Division, of Bryant, Arkansas."

From the facts, matters and other things before her, the Commissioner finds as follows:

**FINDINGS OF FACT**

1. That the Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. That the Company is an Arkansas-domiciled farmers' mutual aid (FMAA) company authorized to transact insurance business as an FMAA under Ark. Code Ann. §23-73-105 in the State of Arkansas.
3. That pursuant to Ark. Code Ann. §23-61-201, et seq., applicable to farmers mutual aid associations and companies under §23-73-104(2) and §23-73-114, and other applicable laws, the

Commissioner authorized and directed the Department to conduct a regular examination of the affairs, transactions, accounts, records and assets of the Company as of December 31, 2005.

4. That said examination was commenced by the Department on June 12, 2006, and completed on July 14, 2006.

5. That the verified Report of Examination was filed with the Department on August 24, 2006; it was then forwarded to the Company via certified mail on August 24, 2006. The Report was received by the Company on August 28, 2006; and the Company's rebuttal letter was dated September 5, 2006, and it was received in the Finance Division of the Department on September 6, 2006.

6. That the Report of Examination contains the following comments concerning the Company's operations: The Examiners noted that the Company's fidelity bond coverage lapsed in March, 2006, and that the Company was taking steps to add this coverage at the conclusion of the examination. The National Association of Insurance Commissioners (NAIC) recommends a minimum fidelity bond of \$75,000 for companies similar in size.

7. That on September 6, 2006, the Company did file with the Insurance Department its letter of comment or rebuttal to the Examiner's comments on the draft Report of Examination. The Company's rebuttal letter, for both the Department transmittal letter and text of the draft report of examination, recited updates and corrections in the names and business occupations of the Company's current officers and directors, as well as a correction of the December 31, 2005 "as of" date of the draft report of examination.

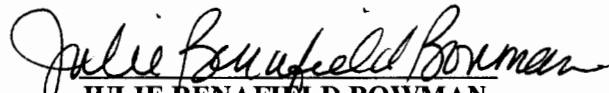
8. That on September 13, 2006, the Chief Examiner, Finance Division, sent out to the Company a corrected transmittal letter for the draft report of examination, listing December 31, 2005, for this examination period.

THEREFORE, pursuant to the provisions of Ark. Code Ann. §23-61-205, and §23-73-104(2) and §23-73-114, the Commissioner hereby orders:

1. That the Examination Report, as filed with the Department, should be corrected as the Company so requested;

2. That the Examination Report, once corrected, shall be hereby adopted;
3. That the Company shall notify the Department in writing about its replacement fidelity bond coverage, when a bond or policy is in force for the Company.
4. That the Department shall forward a copy of this Order and the adopted Examination Report, as corrected, to the Company, by certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Directors to use in acknowledging they have received the adopted Report of Examination, as corrected, and this Order;
5. That within thirty (30) days of receipt of this Order and the adopted Examination Report, as corrected, the Company shall file with the Department affidavits executed by each one of its Directors, stating under oath or affirmation that each has received a copy of this Order and the adopted Examination Report, as corrected, pursuant to Ark. Code Ann. §23-61-205(b)(1), et seq., applicable to farmers mutual aid associations and companies under §23-73-104(2) and §23-73-114; and other laws as applicable; and
6. That the adopted Examination Report, as corrected, shall be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Order.

IT IS SO ORDERED this 2nd day of October, 2006.

  
JULIE BENAFIELD BOWMAN  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS